

WHITE LAKE TOWNSHIP
PUBLIC LIBRARY

FINANCIAL REPORT
December 31, 2004

C O N T E N T S

	Page
INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS	1-2
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)	3-6
BASIC FINANCIAL STATEMENTS	
Governmental Fund Balance Sheet/Statement of Net Assets	7
Statement of Governmental Revenue, Expenditures and	
Changes in Fund Balance/Statement of Activities	8
Notes to financial statements	9-15
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	16

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name WHITE LAKE TOWNSHIP PUBLIC LIBRARY	County
Audit Date DECEMBER 31, 2004	Opinion Date MARCH 16, 2005	Date Accountant Report Submitted to State: JUNE 29, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

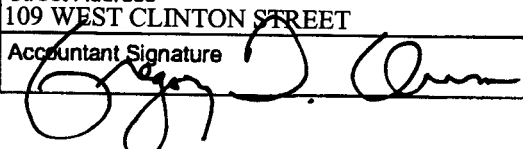
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) BREDEBNITZ, WAGNER & CO., P.C.			
Street Address 109 WEST CLINTON STREET	City HOWELL	State MI	ZIP 48843
Accountant Signature 			

BREDERNITZ, WAGNER & CO., P.C.

Certified Public Accountants

109 WEST CLINTON STREET
HOWELL, MICHIGAN 48843
(517) 546-2130
FAX (517) 546-3552

1

PRINCIPALS

RAYMOND H. COPPER, JR., CPA, CFP
GREGORY D. CLUM, CPA, CGFM

MEMBERS

MICHIGAN ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

CONSULTANTS

DAVID L. BREDERNITZ, CPA
HERBERT P. WAGNER, JR., CPA

INDEPENDENT AUDITORS' REPORT

To the White Lake Township
Public Library Board
White Lake, Michigan

We have audited the accompanying financial statements of the White Lake Township Public Library as of and for the year ended December 31, 2004, which collectively, comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the White Lake Township Public Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the White Lake Township Public Library as of December 31, 2004, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the White Lake Township Public Library has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of December 31, 2003.

The management's discussion and analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the White Lake Township Public Library's basic financial statements. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and other supplemental information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Bradley J. Wagner & Co., P.C.

Howell, Michigan
March 16, 2005

WHITE LAKE TOWNSHIP PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year Ended December 31, 2004
(Unaudited)

Using this Annual Report

This annual report consists of three parts - *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the Library.

- The first column of the financial statements includes information on the Library's General Fund under the modified accrual method. These *Fund Financial Statements* focus on the current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.
- The *Government-Wide Financial Statement* columns provide both *long-term* and *short-term* information about the Library's overall financial status. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remain for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

WHITE LAKE TOWNSHIP PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the year Ended December 31, 2004
(Unaudited)

Condensed Financial Information

The table below shows key financial information in a condensed format:

Current assets	\$ 481,686
Capital assets	<u>530,683</u>
Total assets	<u>1,012,369</u>
Current liabilities	<u>395,388</u>
Net assets:	
Invested in capital assets, net of debt	530,683
Unrestricted	<u>86,298</u>
Total net assets	<u>\$ 616,981</u>
Revenue:	
Property taxes	\$ 644,564
Other	<u>93,047</u>
Total revenue	<u>737,611</u>
Expenses - Library services	<u>758,272</u>
Change in net assets	<u>\$ (20,661)</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the year Ended December 31, 2004
(Unaudited)

The Library as a Whole

- The Library is reporting financial statements this year that meet the requirements of GASB Number 34. The primary change requires reporting all assets at full cost less depreciation expense. This includes all Library materials, which were previously recorded at \$1 per item in the General Fixed Assets Account Group, which was generally accepted practice among Libraries in Michigan.
- As a result of this change, the Library reports net assets of \$616,981 this year on a full accrual basis, as compared to \$481,686 on the modified accrual basis of accounting.
- The Library's primary source of revenue is from property taxes. For 2004, total tax collections were \$644,564. This represents approximately 87.4 percent of total revenue.
- Salaries are the largest overall expenditure of the Library. For 2004, this expenditure was \$296,113, representing 39.1 percent of the Library's total expenditures.
- Depreciation expense, which represents 13.7 percent of the Library's total expenses, is new to the Library, with the implementation of GASB 34.
- Total expenditures for the entire year under the modified accrual method of accounting were \$740,463.
- The Library's conversion to meet GASB 34 Standards, which includes capitalization of Library owned assets and associated depreciation expense is reflected in the Statement of Activities on page 8 of the financial report.

The Library's Fund

Our analysis of the Library's General fund is included on pages 7 and 8 in the first column of the respective statements. The fund column provides detailed information about the General fund on a modified accrual basis of accounting, which is a short term perspective measuring the flow of financial resources, - not the Library's operations on a full accrual basis of accounting, which provides a longer term measurement of total economic resources. The Library's only fund is the General Fund.

The fund balance of the General Fund decreased during the current year by \$2,852. This represents expenses greater than revenue.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the year Ended December 31, 2004
(Unaudited)

Capital Assets & Debt Administration

At the end of the fiscal year, the Library had approximately \$530,683 invested in building improvements, furniture and equipment, and books and materials. The Library added \$71,894 in new collection items consisting of new books, various audio/visual materials, and enhancement of the periodical collection. In addition, \$17,849 was expended to add to computer equipment bringing the total 2004 expenditure for library materials to \$89,743.

The Library's debt rating is excellent. No debt was issued during the fiscal year. The Library's bonded indebtedness totaled \$304,975 at December 31, 2004.

In future years, when prior year information is available, a comparative analysis of government wide data will be presented.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, patrons and donors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the director, Nancy Johnson, at (248) 698-4942.

WHITE LAKE TOWNSHIP PUBLIC LIBRARY
GOVERNMENTAL FUND BALANCE SHEET /
STATEMENT OF NET ASSETS
DECEMBER 31, 2004

	<u>General Fund, Modified Accrual Basis</u>	<u>Adjustments (Note 9)</u>	<u>Statement of Net Assets</u>
Assets			
Cash and investments (Note 3)	\$ 238,998	-	238,998
Receivables:			
Taxes	242,688	-	242,688
Property and equipment (Note 4)	-	530,683	530,683
Total Assets	<u>\$ 481,686</u>	<u>530,683</u>	<u>1,012,369</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 23,792	-	23,792
Deferred revenue	371,596	-	371,596
Total Liabilities	<u>395,388</u>	<u>-</u>	<u>395,388</u>
Fund Balance/Net Assets			
Fund balances - Unreserved:			
Undesignated	86,298	(86,298)	-
Total Liabilities and Fund Balance	<u>\$ 481,686</u>		
Net assets:			
Invested in capital assets, net of debt		530,683	530,683
Unrestricted		86,298	86,298
Total net assets		<u>\$ 616,981</u>	<u>616,981</u>

The notes to financial statements are an integral part of this statement.

WHITE LAKE TOWNSHIP PUBLIC LIBRARY
STATEMENT OF GOVERNMENTAL REVENUE,
EXPENDITURES, AND CHANGES IN
FUND BALANCE / STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2004

	General Fund, Modified Accrual Basis	Adjustments (Note 9)	Statement of Activities
Revenue			
Property taxes	\$ 644,564	-	644,564
Intergovernmental revenue	65,071	-	65,071
Investment income	3,195	-	3,195
Other revenues	24,781	-	24,781
Total Revenues	<u>737,611</u>	<u>-</u>	<u>737,611</u>
Expenditures			
Salaries	296,113	-	296,113
Benefits	90,900	-	90,900
Advertising and promotion	9,037	-	9,037
Dues and subscriptions	1,000	-	1,000
Insurance	23,264	-	23,264
Maintenance	12,382	-	12,382
Maintenance, collections	3,431	-	3,431
Miscellaneous	324	-	324
Professional services	11,329	-	11,329
Programming	3,859	-	3,859
Rent, building (note 5)	142,898	-	142,898
Services, The Library Network	27,343	(17,849)	9,494
Supplies	5,592	-	5,592
Telephone	6,026	-	6,026
Training & conferences	2,315	-	2,315
Travel	984	-	984
Utilities	14,527	-	14,527
Collection	71,894	(71,894)	-
Capital Outlay	17,245	-	17,245
Loss on disposal	-	3,880	3,880
Depreciation	-	103,672	103,672
Total Expenditures	<u>740,463</u>	<u>17,809</u>	<u>758,272</u>
Excess of Revenues Over (Under) Expenditures/Change in Net Assets	(2,852)	(17,809)	(20,661)
Fund Balance/Net Assets - Beginning of year	<u>89,150</u>	<u>548,492</u>	<u>637,642</u>
Fund Balance/Net Assets - End of year	<u>\$ 86,298</u>	<u>530,683</u>	<u>616,981</u>

The notes to financial statements are an integral part of this statement.

WHITE LAKE TOWNSHIP
PUBLIC LIBRARY

9

NOTES TO FINANCIAL STATEMENTS

Note 1. REPORTING ENTITY AND BASIS OF PRESENTATION

Definition of the reporting entity:

The White Lake Township Public Library was established for the purpose of providing all residents of White Lake Township with access to materials and services for information, education, culture, and recreation. The Library is governed by a six member board of trustees elected at large from White Lake Township.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the local unit. There are no component units of the Library. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Basis of presentation:

The financial statements present the fund financial statement on a modified accrual basis with an adjustment to present the statement of net assets and the statement of activities on a full accrual basis.

Fund Financial Statements:

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Library, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds which are maintained in accordance with the activities or objectives specified.

The financial activities of the Library are recorded on one fund as follows:

Governmental Fund:

General Fund: This fund accounts for all financial resources except those provided for in another fund. Revenues are derived primarily from property taxes and penal fines. This fund includes the general operating expenses of the Library.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accounting policies of the White Lake Township Public Library conform to accounting principles generally accepted in the United State of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

GASB No. 34:

Effective January 1, 2004, the Library implemented the provisions of GASB Statement No. 34 (GASB 34), Basic Financial Statements - and Management's Discussion on Analysis - for State and Local Governments. Certain significant changes in the statements include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Library's overall financial position and results of operations
- Financial statements prepared using full accrual accounting for all of the Library's activities

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

Measurement focus/basis of accounting:

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The accounting policies of the White Lake Township Public Library conform to generally accepted accounting principles as applicable to governmental units.

Governmental Fund

The Governmental Fund Type (General Fund) uses a financial resources measurement focus and is accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Current expenditures are generally recorded when the fund liability is incurred, if measurable. Exceptions to this general rule include principal and interest on long-term debt, which is recognized when due, and accrued vacation and sick leave, which is recorded when payable from current available financial resources.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents:

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired.

Compensated absences (vacation and sick leave):

Vacation time that is unused at the employee's employment anniversary date does not carry over to the following year. Sick time does carry over to the following year at a limited amount. The amount of sick time at December 31 is immaterial and, therefore, not recorded. The Library has no liability for employee compensated absences.

Current property taxes:

Properties are assessed as of December 31 and the related property taxes become a lien on December 1. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

Property taxes billed during the month of December will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue at December 31.

The 2004 State taxable valuation of the Library totaled \$942,162,395 on which ad valorem taxes levied consisted of .6879 mills raising \$644,564 for operating purposes.

Capital Assets:

Capital assets are defined by the Library as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other cost incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Building improvements	10-20 years
Furniture and equipment	5-10 years
Library books and materials	8 years

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Budgets and budgetary accounting:

The annual budget is adopted by the Library Board prior to the beginning of the budgetary year. Subsequent amendments are approved by the Library Board. Unexpended appropriations lapse at year end. The Library does not use the encumbrance method of accounting for budgetary purposes. During the current year, the budget was amended in a legally permissible manner.

The final amended budget was not a balanced budget which is not in conformance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).

Formal budgetary integration is employed as a management control device. The budget has been prepared on a modified accrual basis, which is in conformity with generally accepted accounting principles.

Note 3. CASH AND CASH INVESTMENTS

The investment policies of the Library are governed by State statute. All of the Library's investments are in accordance with State statute. The Library's cash and cash investments at December 31, 2004 is comprised of deposits totaling \$238,998.

These deposits were reflected in the accounts of the banks (without recognition for checks written but not yet cleared or deposits in transit) of \$242,774. Of that amount, \$104,069 was covered by federal depository insurance and the remainder of \$138,705 was uninsured and uncollateralized.

Note 4. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance January 1, <u>2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2004</u>
Building Improvements	\$178,053	-	-	178,053
Computers	31,047	17,849	(8,656)	40,240
Furniture, and equipment	155,688	-	(3,760)	151,928
Books and recordings	<u>520,750</u>	<u>71,894</u>	<u>(23,018)</u>	<u>569,626</u>
Total	885,538	89,743	(35,434)	939,847
Accumulated Depreciation	(337,046)	(103,672)	31,554	(409,164)
Net Book Value	<u>\$548,492</u>	<u>(13,929)</u>	<u>(3,880)</u>	<u>530,683</u>

Note 5. RETIREMENT PLANS

The Library adopted a pension benefit program during 1999. The plan provides pension benefits to substantially all of its full-time employees through a defined contribution plan. The plan is administered by Manulife Insurance Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Library Board, the Library contributes 10 percent of employees' gross earnings. The Library contributions for employees are fully vested after twenty two months.

The Library's total payroll during the current year was \$296,113. The current year contribution was calculated based on covered payroll of \$222,601. The resulting employer contribution during the current year was \$17,323.

Note 6. RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for health, dental and life claims. The Library participates in the Michigan Municipal Risk Management Authority state pool for claims relating to property loss, torts, errors and omissions and participates in the Michigan Municipal League risk pool for claims relating to workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 7. RISK MANAGEMENT (Continued)

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local unit government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority state pool operates as a common risk-sharing management program; state pool member premiums are aggregated and used to purchase excess insurance coverage, some of which is underwritten by the Authority.

Note 8. BUILDING RENT

During the year ended December 31, 2000, the Library entered into a sublease agreement with the Charter Township of White Lake. Under the agreement, substantial improvements were made to the Library building and were financed with bonds issued by the White Lake Building Authority. The agreement calls for annual rental payments to be made by the Library which will be sufficient in amount for the Township to make annual debt service payments on the debt obligation.

Terms for the rental agreement indicate that the contract shall terminate on the payment in full of all principal and interest on all bonds issued for the project. The Township retains ownership of the building occupied by the Library during and at the conclusion of the rental agreement. The Library has the right to stay in the building in perpetuity. Future minimum rental payments over the life of the agreement are as follows:

2005	151,150
2006	<u>153,825</u>
	<u>\$304,975</u>

Note 9. RECONCILIATION of FUND FINANCIAL STATEMENTS to GOVERNMENT-WIDE FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Library's governmental fund differs from the net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in assets.

NOTES TO FINANCIAL STATEMENTS (Concluded)

Note 9. RECONCILIATION of FUND FINANCIAL STATEMENTS to GOVERNMENT-WIDE
FINANCIAL STATEMENTS (Continued)

Total Fund Balance - Modified Accrual Basis \$ 86,298
Amounts reported in the statement of net assets
are different because:

Capital assets are not financial resources,
and are not reported in the funds 530,683

Net Assets of General Fund - Full Accrual Basis \$ 616,981

Net Change in Fund Balances - Modified Accrual Basis \$ (2,852)

Amounts reported in the statement of activities
are different because:

Capital outlays are reported as expenditures in
statement of revenue, expenditures, and changes
in fund balance, in the statement of activities,
these costs are allocated over their estimated
useful lives as depreciation:

Library books and materials 71,894
Furniture and equipment 17,849
Loss on disposal of assets (3,880)
Depreciation (103,672)

Change in Net Assets of General Fund -
Full Accrual Basis \$ (20,661)

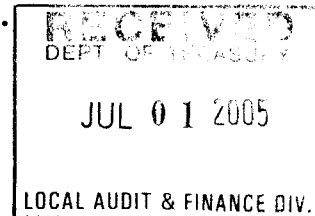
WHITE LAKE TOWNSHIP PUBLIC LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2004

	Original Budget	Final Amended Budget	Actual Balances	Variance Favorable (Unfavorable)
Revenue				
Property taxes	\$ 647,890	647,890	644,564	(3,326)
State aid	24,000	24,000	24,625	625
Charges for services	2,400	2,400	2,943	543
Investment income	5,000	5,000	3,195	(1,805)
Contributions	8,500	8,500	4,878	(3,622)
Fines and forfeitures	54,885	54,885	51,292	(3,593)
Other miscellaneous	-	5,000	6,114	1,114
Total Revenues	742,675	747,675	737,611	(10,064)
Expenditures				
Salaries	322,338	326,338	296,113	30,225
Benefits	71,190	78,683	90,900	(12,217)
Advertising and promotion	8,347	8,937	9,037	(100)
Dues and subscriptions	1,000	1,000	1,000	-
Insurance	16,000	23,113	23,264	(151)
Maintenance	6,000	11,110	12,382	(1,272)
Maintenance, collections	4,000	4,000	3,431	569
Miscellaneous	100	100	324	(224)
Professional services	9,000	10,285	11,329	(1,044)
Programming	3,500	3,500	3,859	(359)
Rent, building (note 5)	143,250	143,250	142,898	352
Services, The Library Network	30,000	30,000	27,343	2,657
Supplies	5,500	4,900	5,592	(692)
Telephone	6,250	6,250	6,026	224
Training & conferences	3,000	2,500	2,315	185
Travel	1,000	1,000	984	16
Utilities	13,200	13,350	14,527	(1,177)
Collection	86,000	68,699	71,894	(3,195)
Capital Outlay, non-capitalized	13,000	17,970	17,245	725
Total Expenditures	742,675	754,985	740,463	14,522
Excess of Revenues Over Expenditures	-	(7,310)	(2,852)	4,458
Fund Balance - Beginning of year	89,150	89,150	89,150	-
Fund Balance - End of year	\$ 89,150	81,840	86,298	4,458

BREDERNITZ, WAGNER & CO., P.C.

Certified Public Accountants

109 WEST CLINTON STREET
HOWELL, MICHIGAN 48843
(517) 546-2130
FAX (517) 546-3552



PRINCIPALS

RAYMOND H. COPPER, JR., CPA, CFP
GREGORY D. CLUM, CPA, CGFM

CONSULTANTS

DAVID L. BREDERNITZ, CPA
HERBERT P. WAGNER, JR., CPA

MEMBERS

MICHIGAN ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors and
the Director of the
White Lake Township Public Library
White Lake, Michigan

We have audited the general purpose financial statements of the White Lake Township Public Library, White Lake, Michigan, as of and for the year ended December 31, 2004, and have issued our report thereon dated March 16, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the White Lake Township Public Library, White Lake, Michigan's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the White Lake Township Public Library, White Lake, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose

financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted certain matters involving the internal control structure and its operation that we have reported as follows:

Status of prior year recommendations:

- 1) We reviewed amounts paid to the Township for pension plan expense and noted that amounts paid were more than the amount based on payroll of employees that were eligible to participate in the plan.

Based on information provided to us, payroll for Library employees covered by the pension plan totaled \$167,020. This would equate to pension plan expense for the year of \$16,702. However, pension plan contributions that were made to the Township totaled \$18,196. It would appear that \$1,494 was overpaid to the Township for the pension plan.

To help ensure that proper contributions are made to the Township for the pension plan, pension plan expense should be recalculated by Library personnel prior to submission to the Township. This would consist of recalculating pension expense based on employees covered by the plan and then comparing it to the amount calculated by the Township. Any differences between the Library and Township's calculation should be investigated and resolved immediately.

Status: During the current year we noted that the pension plan was under paid. As suggested above, the pension expense should be calculated each month for covered employees and then compared to the Township's calculation. Any differences should be investigated and resolved as soon as possible.

- 2) The Library does not have a formal capitalization policy for fixed assets in place.

To comply with GASB 34, the Library will need to capitalize and depreciate capital assets. It is important that the Library establish a policy to recognize and capitalize these assets. We have a sample capitalization policy that may be helpful, and have provided it to the Library.

Status: The Library has adopted a formal capitalization policy.

- 3) The Governmental Accounting Standards Board (GASB) adopted Statement No. 34, Basic Financial Statements for State and Local Governments.

This statement makes significant changes in the way the Library will report the financial statements, the most notable change being the presentation of a set of highly aggregated, "full accrual" financial statements. For the White Lake Township Public Library, the implementation date for GASB 34 will be for the year ending December 31, 2004.

Although the statement first affects the December 31, 2004, financial statements, implementation of the statement will actually affect the first date of the fiscal year. Therefore, it will be necessary to capture beginning balances at January 1, 2004, using the new standards.

Status: The Library adopted GASB 34 standards.

- 4) The size of the Library's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

This situation dictates that the Board of Directors remain actively involved in the financial affairs of the Library to provide oversight and independent review functions.

Status: The Board of Directors needs to continue to be actively involved in the financial affairs of the Library.

- 5) Our testing in the area of cash receipts revealed that the Library is not making timely cash deposits to the bank.

This practice opens the Library to the threat of a loss or theft of cash while it is on the premises. To strengthen internal controls in

this area, we recommend that cash be deposited at the bank at least once or twice a week.

This practice will firmly strengthen the Library's internal control process over cash receipts and greatly lessen the likelihood that cash could be lost or stolen before it is deposited in the bank.

Status: It appears that the library has made more frequent deposits to the bank.

Current year recommendations:

- 1) When reviewing the final current year budget, it appears that budgeted expenditures are more than budgeted revenues.

When budgeted expenditures exceed budgeted revenues, a line item should be established in the budgeted revenues for fund balance so that the budget is in balance. This line item represents the amount of the fund balance that will be used to cover budgeted expenditures. Preparation of the budget in this manner will help ensure that the Library is in conformance with the Uniform Accounting and Budgeting Act.

- 2) When reviewing W-2's it was noticed that the people participating in the retirement plan do not have the box checked on the W-2.

The box on the W-2 for each participant should be checked in order to indicate who is in the plan. A review of the W-2 would then make it easy to calculate the amount that should be deposited into the pension plan. We also suggest, that a reconciliation occur every month between the employees' deduction and the township's deposit. This procedure would also help ensure that the township is applying the pension payment properly.

We appreciate the assistance provided to us during the audit by the staff of the White Lake Township Public Library. This report is intended solely for the information of management and the Library Board. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Broderick, Wagner & Co., P.C.